



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 26, 2008

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *for*
Acting Auditor-Controller

SUBJECT: **REVISED REPORT -- H.S. CONSORTIUM OF THE EAST SAN
GABRIEL VALLEY CONTRACT (dba) LA WORKS - A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER – FISCAL YEAR 2006-07**

We conducted a program, fiscal and administrative contract review of H.S. Consortium of the East San Gabriel Valley (dba) LA Works (LA Works or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

In June 2008, we issued a report on the results of our review. Subsequent to issuing our report, the State provided a written opinion allowing specific use of WIA funds that impacted one of our findings and recommendations contained in our June report. As a result, we revised the June report and incorporated the changes in accordance with the State's written opinion on this report.

Background

CSS contracts with LA Works to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their work force and soon to be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and

out-of-school youth ages 14 to 21 years old. LA Works' offices are located in the First, Fourth and Fifth Districts.

LA Works was compensated on a cost reimbursement basis and had a contract for \$4,245,574 for Fiscal Year (FY) 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether LA Works complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Generally, LA Works provided services to eligible participants and maintained sufficient internal controls over its business operations. However, LA Works billed CSS \$10,478 in unsupported expenditures. Subsequent to our review, LA Works credited CSS \$10,478.

LA Works also did not always comply with other WIA and County contract requirements. For example, LA Works:

- Did not report the participants' program activities on the Job Training Automation system for 15 (75%) of the 20 WIA Adult and Dislocated Worker participants sampled.
- Did not conduct a criminal record clearance for three (60%) of the five employees assigned to the WIA programs.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LA Works and CSS on April 30, 2008. In their attached response dated October 15, 2008, LA Works concurred with our findings and recommendations.

We thank LA Works for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC:eb

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Salvador R. Velasquez, Executive Director, LA Works
Kevin Stapleton, Chairperson, LA Works
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
REVISED REPORT
H.S. CONSORTIUM OF THE EAST SAN GABRIEL VALLEY (dba) LA WORKS
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether H.S. Consortium of the East San Gabriel Valley (dba) LA Works (LA Works or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 30 (7%) participants (ten adults, ten dislocated workers and ten youths) of the 449 participants that received services from July 2006 through April 2007 for documentation to confirm their eligibility for WIA services.

Results

All 30 participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (7%) participants that received services during July 2006 through April 2007. We also interviewed 13 participants/guardians.

Results**Adult and Dislocated Worker Programs**

The eight participants interviewed stated that the services they received met their expectations. However, LA Works did not document in the participants' Individual Employment Plan (IEP) the \$600 in supportive services paid to ten (50%) of the 20 participants sampled after the participants left the WIA program as required by the WIA and federal guidelines. In addition, LA Works did not report the participants' program activities on the Job Training Automation (JTA) system as required for 15 (75%) of the 20 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. Similar findings were also noted during the prior year's monitoring review.

Subsequent to our review, LA Works updated the IEPs for the ten participants to reflect the supportive services provided as required by WIA guidelines.

Youth Program

The five participants/guardians interviewed stated that the services the participants received met their expectations.

Recommendations**LA Works management:**

- 1. Ensure that staff documents the need for post-placement supportive services as required.**
- 2. Ensure that staff updates the Job Training Automation system to reflect the participants' program activities.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed LA Works' March 2007 bank reconciliation and petty cash records for April 2007.

Results

LA Works' revenues were properly recorded and deposited in a timely manner. However, LA Works did not obtain two signatures on all checks as required by the County contract. In addition, LA Works' petty cash policy indicated that their petty cash fund had a limit of \$1,000. However, the County contract limits petty cash funds to \$500. To establish a petty cash fund greater than \$500, the contractor must obtain written approval from CSS. LA Works did not obtain written approval from CSS to increase their petty cash fund. A similar finding was noted during the prior year's monitoring review.

Recommendations**LA Works management:**

3. Ensure that two signatures are obtained on all checks.
4. Ensure that the Agency's petty cash policy is in compliance with County contract requirements.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 83 non-payroll expenditure transactions billed by the Agency for January and February 2007, totaling \$228,386.

Results

Generally, LA Works' expenditures were allowable, properly documented and accurately billed. However, LA Works billed CSS \$10,478 in unsupported program expenditures. Specifically, LA Works did not maintain appropriate documentation, such as invoices and cancelled checks, to support the program expenditures.

Subsequent to our review, LA Works credited CSS \$10,478.

Recommendation

5. LA Works' management ensure that only actual expenditures incurred are billed to CSS.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

LA Works maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LA Works' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of 20 items purchased with WIA funds, totaling \$24,847.

Results

LA Works used the items purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded. However, LA Works' equipment and inventory listing did not have the required information, such as serial number, County identification tag number and percentage of federal participation in the cost of property, as required by federal regulations. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, LA Works provided an updated equipment and inventory listing that included all the required information.

Recommendation

- 6. LA Works management ensure that the inventory listing includes all required information.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for 39 employees and 22 program participants totaling \$236,813 and \$15,484, respectively, for February 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five staff assigned to the WIA programs.

Results

LA Works did not maintain signed timecards for four (18%) of the 22 participants sampled. LA Works management indicated that timecards were not signed by the participants because the participants could not be located or were incarcerated.

In addition, LA Works did not conduct a criminal record clearance for three (60%) of the five employees assigned to the WIA programs. Subsequent to our review, LA Works obtained a criminal record clearance for two of the three employees.

Recommendations

LA Works management:

- 7. Ensure that the participants sign their timecards to certify the hours worked.**
- 8. Conduct a criminal record clearance on all employees assigned to the WIA program.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed LA Works' Cost Allocation Plan and a sample of expenditures incurred by the Agency in January and February 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LA Works' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2005-06 final close-out invoices reconciled to the Agency's financial accounting records.

Verification

We traced LA Works' FY 2005-06 general ledgers to the Agency's final close-out invoices for FY 2005-06. We also reviewed a sample of expenditures incurred in April, May and June 2006.

Results

LA Works' FY 2005-06 general ledgers reconciled to the Agency's FY 2005-06 final close-out invoices.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from Fiscal Year 2005-06 monitoring review were implemented. The report was issued on June 14, 2007.

Results

The prior year's monitoring report contained 14 recommendations. LA Works implemented ten recommendations. As previously indicated, the findings related to recommendations 1, 2, 4 and 6 were also noted during our prior monitoring review. LA Works management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendation

9. LA Works management implement the outstanding recommendations from the prior year's monitoring report.



October 15, 2008

Salvador R. Velasquez
Chief Executive Officer

Ms. Wendy L. Watanabe, Acting Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803
Attention: Yoon Bae

SUBJECT: 2006-07 WIA Program Review – Response to Findings

Dear Ms. Watanabe:

We are in receipt of the draft report from your office dated October XX, 2008 regarding the review of our WIA Programs for Program Year 2006-07. Your staff requested that we respond by October 17, 2008. Please find our response as follows:

Eligibility

There were no findings or recommendations.

Billed Services/Client Verification

1. Finding: "LA Works did not document in the participants' Individual Employment Plan (IEP) the \$600 in supportive services paid to ten (50%) of the 20 participants sampled after the participants left the WIA program as required by the WIA and federal guidelines. Subsequent to our review, LA Works updated the IEP's for the ten participants to reflect the supportive services provided as required by WIA guidelines". Recommendation: "Ensure that staff updates the need for post-placement supportive services as required".

Response: LA Works staff agrees with this recommendation and has already implemented it.

2. Finding: "LA Works did not report the participants' program activities on the Job Training Automation (JTA) System as required for 15 (75%) of the 20 participants sampled." Recommendation: "Ensure that staff updates the Job Training Automation System to reflect the participants' program activities."

Response: LA Works staff agrees with this recommendation and has already implemented it.

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626 960 3964
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626 962 0064

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Cash/Revenue

3. Finding: "LA Works did not obtain two signatures on all checks."
Recommendation: "Ensure that two signatures are required on all checks."

Response: LA Works staff agrees with this recommendation and has already implemented it.

4. Finding: LA Works did not obtain written approval from CSS to increase their petty cash fund. Recommendation: "Ensure that the Agency's petty cash policy is in compliance with County contract requirements."

Response: LA Works staff agrees that its petty cash policy must be in compliance with its County contract requirements and has implemented appropriate action.

Expenditures/Procurement

5. Finding: "LA Works billed CSS \$10,478 in unsupported program expenditures. Subsequent to our review, LA Works credited CSS \$10,478."
Recommendation: "LA Works' management ensure that only actual expenditures incurred are billed to CSS."

Response: LA Works staff agrees with this recommendation and has already implemented it, consistently with its long-standing policy and procedure.

Administrative Controls/Contract Compliance

There were no findings or recommendations.

Fixed Assets and Equipment

6. Finding: "LA Works' equipment and inventory listing did not have the required information. . . . Subsequent to our review, LA Works provided an updated equipment and inventory listing that included all the required information."
Recommendation: "LA Works management ensure that the inventory listing includes all required information."

Response: LA Works staff agrees with this recommendation and has already implemented it.

Payroll and Personnel

7. Finding: "LA Works did not maintain signed timecards for four of the 22 participants sampled. LA Works management indicated that timecards were not signed by the participants because the participants could not be located or were



incarcerated." Recommendation: "Ensure that participants sign their timecards to certify the hours worked."

Response: LA Works staff agrees with this recommendation, which aligns with long-standing LA Works policy. Exceptions are made only when it is not possible to obtain the participant's signature.

8. Finding: "LA Works did not conduct a criminal record clearance for three of the five employees assigned to the WIA programs. Subsequent to our review, LA Works obtained a criminal record clearance for two of the three employees." Recommendation: "Conduct a criminal record clearance on all employees assigned to the WIA program."

Response: LA Works staff has implemented this policy and has conducted a criminal record clearance on all employees assigned to the WIA Program.

Cost Allocation Plan

There were no findings or recommendations.

Close-Out Review

There were no findings or recommendations.

Prior Year Follow-up

9. Finding: The prior year's monitoring report contained 14 recommendations. LA Works implemented 10 recommendations. As previously indicated, the findings related to recommendations 1, 2, 4, and 6 were also noted during our prior monitoring review. LA Works management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008. Recommendation: "LA Works management implement the outstanding recommendations by June 30, 2008."

Finding #1: Ensure that staff documents the need for post-placement supportive services as required.

Response: LA Works staff agrees with this recommendation and has already implemented procedures to ensure post-placement supportive services documentation is in place.

Finding #2: Ensure that staff updates the Job Training Automation System to reflect the participant's program activities.

Response: LA Works staff agrees with this recommendation and has already implemented procedures to ensure JTA documentation takes place.



Finding #4: Ensure that the Agency's cash policy is in compliance with County contract requirements.

Response: LA Works staff agrees that its petty cash policy must be in compliance with its County contract requirements and has implemented appropriate action.

Finding #6: LA Work's management ensure that the inventory listing includes all required information.

Response: LA Works staff agrees with this recommendation and has already implemented it.

If you have any questions, please contact Shelly Laddusaw at (626) 960-3964, ext. 2246 or Richard Jewik at ext. 2230.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Salvador R. Velasquez'.

Salvador R. Velasquez
Chief Executive Officer

cc: Yoon Bae